

~~CONFIDENTIAL~~~~SECRET~~CIA PROGRESS REPORTCOPY NO. 2COPY: Annex 1 (Administration)  
Part 2, Section 6DRAFT: CBH Rewrite for DD/A Comment/Approval  
11 December 1951

-----

Rapid expansion of the agency during the high-pressure period that came with the outbreak of hostilities in Korea brought with it a speed-up that soon penetrated the fiscal offices of CIA.

Until the latter half of 1950, CIA had managed its secret but modest purse with ease. Although annual appropriations had doubled and redoubled since 1948,\* the agency's over-all bill for FY 1951 did not yet exceed [REDACTED] Favored by an<sup>?</sup>(alert) as well as a sympathetic Congress CIA expanded its global services untroubled by shortages in appropriations or by undue inquisitiveness on the Hill. And in the spending of those funds, CIA successfully hurdled the difficulties that complicate the financing of covert activities overseas. Thus while the agency was beset by troubles in some spheres of its operations, it was happily free from dollar worries and from harassment on the Hill.

This uniquely happy state of affairs could be

-----

(\*) Accuracy to be confirmed by Comptroller.

~~CONFIDENTIAL~~~~SECRET~~

~~CONFIDENTIAL~~~~SECRET~~

attributed to an amicable understanding that had previously been reached on the Hill. While CIA could not be exempted from Congressional purse-string control, the agency was permitted to justify its budget in secret before a few key members of Congress. To conceal that budget and thus protect the activities for which it provided, the appropriations leadership of both Houses reserved to itself the right to withhold the CIA budget from scrutiny by the Congress. This, in turn, required

? *This is not a good word to use in this report*

25X1A12b

As with Congress, CIA's sensitivity has limited the Bureau of the Budget in its scrutiny of the agency's requests. But while this limitation has confronted the Bureau with special security problems, it has not exempted CIA from an

annual thorough budget going-over. Each year the agency is

~~CONFIDENTIAL~~~~SECRET~~

~~SECRET~~**CONFIDENTIAL**

compelled to establish to the satisfaction of the

Bureau the cost as well as the need for its programs  
and funds.

Throughout the fall and winter of 1950, the pace  
of U. S. intelligence activities quickened. By the  
early spring of 1951, preliminary estimates disclosed  
that CIA budget requirements for FY 1952 would vastly  
exceed those of the previous year. (Meanwhile, the  
fiscal offices of the agency had been expanded to meet  
the increased load.) With reorganization of the agency

in late 1950, (the Comptroller was removed from the chain  
of command and assigned as staff assistant to the Deputy  
Director for Administration. Until then, the Comptroller  
had functioned as part of a vast hierarchy of agency  
officials directly responsible to the Director.)

→ I believe this is open  
to some doubt.

wording doesn't  
make good sense.  
Also, Comptroller has  
never been in  
the chain of  
command.  
Comptroller was  
responsible to the  
Director on 1 Oct 1950.

As the speed-up continued, fiscal procedures were  
adjusted piece by piece to the growing needs of the organi-  
zation. By the summer of 1951, the agency had so expanded

25X1A1b

fers. Not yet convinced of the desirability of fiscal  
reorganization, the division continued to perform its  
tasks by adapting itself readily to them. Although the

**CONFIDENTIAL**

~~SECRET~~

CONFIDENTIAL

the issue will be left in limbo until the need is more firmly established.

But while the agency's internal fiscal affairs are in good order, CIA is speedily approaching a crisis in



25X1A12b

procedure at a time when the agency's expenditures for intelligence were limited to <sup>small</sup> [redacted] Between 1948 and 1950, those modest-sized budgets could not only be justified with ease but they could just as easily be

25X1A1a



25X1A12b

By 1951, however, trouble was foreshadowed in the prospective budget for FY 1952. As the result of a <sup>?</sup> (scurry) in covert activities overseas, the CIA budget for that year zoomed to a [redacted] \* Initial estimates for FY 1952 have since accented the problem.

25X1A1a



25X1A1a

-----  
(\*) To be verified.

CONFIDENTIAL

~~CONFIDENTIAL~~  
~~SECRET~~

*a small multiple*  
In short, a [REDACTED] agency has become a

25X1A1a

25X1A1a

[REDACTED] agency in the brief period of  
several critical years. And while CIA's budget  
requests are not excessive in view of the mission  
assigned CIA, they do by their very size imperil the

[REDACTED]

25X1A1d

to its leadership the right to approve a [REDACTED]

25X1A1a

budget also defer to that leadership the right to

25X1A1a

approve one for [REDACTED] And can a [REDACTED]

25X1A

[REDACTED]

25X1A12b

Before examining these issues, one might justifiably  
ask: "How has the CIA budget gotten so big so quickly?".

The answer is revealing. Not only does it pose the  
problem but it also suggests a solution.

For while a small portion of this total increase  
is due to increased intelligence activity, the overwhelm-

[REDACTED]

25X1A1b

-----  
(\* ) To be verified.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~~~SECRET~~

described as the "cold war" activities of CIA. And except for the fact that this "cold war department" must be conducted in secrecy with secret funds, it bears little relationship to the basic intelligence mission of CIA. Although conducted by OPC, a covert division of CIA, these "cold war" activities are directed by NSC after approval by PSB. And since PSB is the child of State and Defense as well as CIA, these "cold war" activities of OPC become the concern of all three. CIA provides OPC its bed and board and the respectability of parentage. In this instance, however, parentage has become a costly role. Of the

25X1A1a

25X1A1b

To avoid excessive scrutiny on this rising scale of expenditure, CIA can resort to one of two more convenient arrangements: (1) Either it can divide its budget into two parts, one for intelligence, another for the "cold war"

-----  
(\*) To be verified.

~~CONFIDENTIAL~~~~SECRET~~

~~SECRET~~

**CONFIDENTIAL**

and justify it on that basis in secret hearings; or

(2) CIA can request that it be designated an agent of the armed forces for OPC undertakings, and insist that "cold war" funds and personnel be provided by Defense.

Either alternative is pregnant with danger to the security of covert operations. But one or the other may be preferable to the trouble that may come with a



25X1A1a

**CONFIDENTIAL**